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India

Sugar

Annual Report

2000

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Report Highlights:

Following record 1999/00 sugar production of 18.9 million tons, 2000/01 production is forecast to decline to 17.4 million. The hike in the import tariff to 60 percent has completely eliminated sugar imports from February 2000.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

New Delhi [IN1], IN

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Situation and Outlook

Production 1/

Sugar production is expected to decline to 17.4 million tons (16.6 million tons of milled sugar and 776,000 tons of khandsari) in 2000/01 following two years of solid growth and record 1999/00 centrifugal sugar output. Large carryover stocks and delayed cane payments to farmers are expected to yield a 3 percent decline in cane area and production. The poor financial condition of many mills due to this year's depressed domestic sugar prices will likely encourage farmers to divert more cane to the production of other sweeteners such as Gur and khandsari. Gur production is expected to rebound to 8.23 million tons (vs. 7.78 million in 1999/00).

Higher than anticipated availability of cane and improved sugar recovery have increased our estimate of 1999/00 centrifugal sugar production to a record 18.9 million tons (18.2 million tons sugar and 745,000 tons khandsari), as favorable cane growing conditions prevailed, especially in central and southern states. Mills began crushing on schedule (early Nov) and are expected to continue through May. The average sugar recovery rate is estimated at 10.12 percent, nearly 3 percent higher than last year. The diversion of cane to alternative sweeteners was limited due to the timely onset of crushing and depressed early season prices of Gur and khandsari. Total mill sugar production through February 29, 2000 was 11.9 million tons, 12 percent higher than the corresponding period last year. Nevertheless, industry sources report that mills are falling behind on their cane payments by 6-8 weeks, versus the normal waiting period of 2-3 weeks.

1/ All figures are on a raw-value basis unless otherwise noted.

Production Policy

There have been no significant changes in production policy. The GOI establishes a minimum support price (MSP) for sugarcane which the state governments augment by 20-50 percent (see table 6). Under the Sugar Control Order (IN 9068) domestic mills and importers are required to supply, at below the market price, a "levy" sugar which the government sells through its public distribution system. Producers and importers are permitted to sell the balance of their sugar at market prices subject to monthly quantitative restrictions. In keeping with its policy to gradually deregulate the sugar industry, the government has lowered the levy sugar procurement from 40 percent of total production/imports to 30 percent with effect from January 2000. The GOI is expected to meet any shortfall in levy sugar requirements through open market purchases. In an effort to achieve price stability, however, the government will continue to control the monthly release of levy and free sale sugar.

Consumption

Healthy economic growth of 5 percent per annum has fueled robust growth in sugar consumption which is forecast at 18.4 million tons in 2000/01. Consumption in 1999/00 is estimated at 17.8 million tons,

up 5 percent from the previous year. Local sugar prices during the 1999/00 season were weak, fluctuating in a narrow range due to record production and pressure from low-priced imports. Although the market firmed following the February tariff increase, prices are expected to remain mostly steady during the balance of 2000. Sugar stocks held by the mills at the end of February are estimated at 12.8 million tons, 30 percent higher than a year ago; 1999/00 ending stocks are estimated at a whopping 8.9 million, equivalent to six months consumption.. Stocks are forecast to decline to 7.8 million by the end of 2000/01.

Trade

With the tariff hike from 40 percent (before Feb 9, 2000) to 60 percent (now), a countervailing duty of rs. 850/ton (IN0004), and subjugation of imports to the Sugar Control Order (importers are now subject to a 30 percent levy procurement and cannot sell or deliver sugar except under GOI direction), no imports are forecast for the balance of marketing year 1999/00 or in 2000/01. Estimated 1999/00 imports have been raised to 380,000 tons based on actual arrivals compiled by the Indian Sugar Mills Association for October 1999 through January 2000.

Exports are unlikely to exceed 10,000 tons in 2000/01 as Indian prices (\$350-\$360/ton) are well above the international market (\$170-190/ton), and the decanalization of sugar exports in January 1997 (IN 7009) has ended subsidized exports. Exports will be limited to small neighboring markets, e.g., Bhutan, and to quota countries such as the U.S.

STATISTICAL SECTION

Table 1 - Commodity: Centrifugal Sugar (Quantity in 1000 metric tons on raw value basis)

PSD Table							
Country:	India						
Commodity:			Sugar				
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/1998		10/1999		10/2000	(MONTH/YEAR)
Beginning Stocks	5850	5850	7330	7374	0	8850	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	17361	17436	18400	18935	0	17360	(1000 MT)
TOTAL Sugar Production	17361	17436	18400	18935	0	17360	(1000 MT)
Raw Imports	0	0	0	0	0	0	(1000 MT)
Refined Imp.(Raw Val)	1050	1075	200	380	0	0	(1000 MT)
TOTAL Imports	1050	1075	200	380	0	0	(1000 MT)
TOTAL SUPPLY	24261	24361	25930	26689	0	26210	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	11	10	50	10	0	10	(1000 MT)
TOTAL EXPORTS	11	10	50	10	0	10	(1000 MT)
Human Dom. Consumption	16920	16977	17300	17829	0	18350	(1000 MT)
Feed Dom. Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	16920	16977	17300	17829	0	18350	(1000 MT)
Ending Stocks	7330	7374	8580	8850	0	7850	(1000 MT)
TOTAL DISTRIBUTION	24261	24361	25930	26689	0	26210	(1000 MT)

Note: Stocks in the PS&D include only milled sugar as all khandsari sugar is assumed to be consumed within the production year.

Table 2 - Commodity: Sugarcane (Area in 1000 hectare and quantity in 1000 metric tons)

PSD Table							
Country:							
Commodity:			Sugar Cane Non-Centrifugal				
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin							(MONTH/YEAR)
Area Planted	4150	4080	4250	4060	0	3950	(1000 HA)
Area Harvested	4150	4080	4250	4060	0	3950	(1000 HA)
Production	282250	295730	287000	293000	0	285000	(1000 MT)
TOTAL SUPPLY	282250	295730	287000	293000	0	285000	(1000 MT)
Utilization for Sugar	170000	170550	177000	180000	0	168500	(1000 MT)
Utilization for Alcohol	112250	125180	110000	113000	0	116500	(1000 MT)
TOTAL UTILIZATION	282250	295730	287000	293000	0	285000	(1000 MT)

Note: Virtually no cane is utilized for alcohol in India. Utilization for alcohol data includes cane used for gur, seed feed and waste. The utilization for sugar data includes cane milled to produce centrifugal sugar, including khandsari.

Table 3 - Sugarcane area (million hectares), Production (million metric tons), and Utilization (million metric tons)

YEAR		AREA	1/	YIELD	1/	PRODUCTION	1/	SUGAR	2/	KHANDSARI	3/	GUR	3/	SEED	3/
		Mha		MT/ha		MMT		MMT		MMT		MMT		MMT	
1998/99		4.08		72.48		295.73		157.548		13.000		89.694		35.488	
1999/00		4.06		72.17		293.00		168.000		12.000		77.840		35.160	
2000/01	3/	3.95		72.15		285.00		156.000		12.500		82.300		34.200	

Source: 1/ - Directorate of Economics & Statistics, Ministry of Agriculture

2/ - Indian Sugar Mills Association

3/ - Agricultural Affairs Office estimate/forecast

Table 4 - Price Table: Centrifugal (Mill) Sugar (Price in Actual Weight basis)

Prices Table			
Country:			
Commodity:			
Year:	2000		
Prices in (currency)	rupees	per (uom)	Metric Tons
Year	1999	2000	% Change
Jan	14600	14570	-0.2%
Feb	14800	15050	1.7%
Mar	14600	15500	6.2%
Apr	15350		-100.0%
May	15350		-100.0%
Jun	15000		-100.0%
Jul	14600		-100.0%
Aug	15050		-100.0%
Sep	15400		-100.0%
Oct	15750		-100.0%
Nov	15600		-100.0%
Dec	15020		-100.0%
Exchange Rate	43.4	(Local currency/US \$)	
Date of Quote	04-Apr-00	(MM/DD/YY)	

Source & contract terms: Indian Sugar Mills Association, month end prices in the wholesale market, Delhi.

Table 5 - Price Table: Gur (Price on Actual weight basis)

Commodity:	Gur		
Year:	2000		
Prices in (currency)	rupees	per (uom)	Metric Tons
Year	1999	2000	% Change
Jan	12000	10350	-13.8%
Feb	9500	10100	6.3%
Mar	9500	10350	8.9%
Apr	9500		-100.0%
May	12500		-100.0%
Jun	13500		-100.0%
Jul	14000		-100.0%
Aug	14250		-100.0%
Sep	14250		-100.0%
Oct	10250		-100.0%
Nov	9100		-100.0%
Dec	10350		-100.0%
Exchange Rate	43.4	(Local currency/US \$)	
Date of Quote	04-Apr-00	(MM/DD/YY)	

Source & contract terms: Indian Sugar Mills Association, month end prices in the wholesale market, Delhi.

Table 6 - Price Table: Sugarcane Price- MSP and SAP for 1998/99 and 1999/2000
(in Rs./metric tons)

PRICE	1999/00	1998/99
Minimum Support Price (MSP)*	561	527
State Advised Price for		
Uttar Pradesh	850	800
Haryana/Punjab	1050	950
Southern States	740	700

* Prices linked to a basic recovery rate of 8.5 percent

Exchange Rate: 1998/99 (Oct/Sep) 1 US\$ = 42.2 Indian Rs.

1999/00 (Apr) 1 US\$ = 43.5 Indian Rs.

Table 7 - Import Trade Matrix: Centrifugal Sugar (quantity in crystal/actual weight basis)

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Oct-Sep		
Imports for	1998		1999
U.S.		U.S.	
Others		Others	
Pakistan	332,370	Brazil	300,225
Brazil	273,375	Thailand	272,300
EEC	116,695	Pakistan	222,005
Dubai	82,945	China	138,300
Thailand	35,500	S. Korea	26,900
Mexico	20,250	Dubai	26,512
S. Africa	13,900	Mexico	14,000
China	13,000	EEC	3,600
Sudan	12,750		
UAE	9,650		
Total for Others	910,435		1,003,842
Others not listed	19,590		
Grand Total	930,025		1,003,842

Source: Indian Sugar Mills Association

Table 8 - Export Trade Matrix: Centrifugal Sugar (quantity in crystal/actual weight basis)

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Oct-Sep		
Exports for	1998		1999
U.S.	452	U.S.	626
Others		Others	
Russia	12,500	Malaysia	3,362
Bhutan	2,209	Bhutan	2,010
Malaysia	1,777	U.A.E.	1,113
U.A.E.	741	UK	365
UK	589	Saudi Arabia	216
Canada	268	Kuwait	203
Kuwait	168	Brazil	200
Nepal	132	Egypt	130
Yemen Rep	124	Oman	125
Singapore	114	Canada	114
Total for Others	18,622		7,838
Others not listed	905		944
Grand Total	19,979		9,408

Source: DGCIS, Ministry of Commerce, GOI